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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 000908

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E.O. 12958: DECL: 09/09/2019  
TAGS: [EFIN](#) [ECON](#) [PGOV](#) [PREL](#) [PHUM](#) [KDEM](#) [IMF](#) [HO](#)  
SUBJECT: TFH01: IMF REPRESENTATIVE OUTLINES PLAN FOR  
HONDURAS RECOGNITION VOTE

REF: TEGUCIGALPA 883

Classified By: Ambassador Hugo Llorens, E.O. 12958, 1.4(d).

THIS CABLE CONTAINS AN ACTION REQUEST. SEE PARAS 2 AND 8.

¶1. (C) Summary: In a September 9 meeting with EconCouns, International Monetary Fund (IMF) representative Mario Garza said that the IMF is conducting a vote of its members on what government to recognize in Honduras. The vote count will probably take place on September 18. If there is no quorum, a decision will be delayed. Two immediate issues are at stake: access to Honduras's allotment of Special Drawing Rights (SDRs) and representation at the IMF/World Bank fall meetings. If the Zelaya government prevails in the recognition vote, it may still be blocked from accessing the funds (but not from attending the meetings) by a requirement that the government be in control of its country's territory. Garza said that he believes there is unlikely to be a quorum by September 18 "unless one member pushes the issue."

¶2. (C) Summary continued: If a quorum can be achieved, the Zelaya government is likely to win, given existing support by the U.S., the Organization of American States (OAS), and others. A prompt endorsement of the Zelaya government would have an importance beyond the specific IMF issues at stake, since it would represent the first time that the international community as a whole weighed in on the recognition question. Embassy recommends that the Department instruct embassies in IMF member countries to demarche host governments pressing them to vote to recognize the Zelaya government in time for the voting deadline. End summary.

¶3. (SBU) During a September 9 introductory call by EconCouns, IMF representative Mario Garza explained the IMF's recently instituted process for deciding what government to recognize in Honduras. The issue gained increased urgency when the de facto Honduran regime portrayed the country's new allocation of Special Drawing Rights, part of a worldwide effort to inject liquidity into the world economy, as a sign of recognition by the organization (reftel). (Note: The SDR, the IMF's accounting unit, is convertible into dollars or other currencies. End note.) IMF headquarters in Washington later clarified that Honduras would be blocked from accessing the funds pending a decision on recognition.

¶4. (C) Garza said that the IMF has asked member countries to

vote on which government to recognize in Honduras (i.e. the Zelaya government or the de facto regime). At the same time, members are to vote on recognition for three other countries with leadership disputes, Madagascar, Mauritania, and Fiji. Voting is through the normal IMF weighted voting mechanism. Garza said that it currently appears that the vote count will take place on September 18, though this could change. In the meantime, the IMF has implemented a no-contact policy with both the de facto regime and officials of the Zelaya government.

15. (C) In the unlikely event that the de facto regime prevails in the recognition vote, the regime will gain access to the SDRs. If the Zelaya government wins, it will face another hurdle: an IMF requirement that, in order to access funds, a government must be in control of its country's territory and administration. The Zelaya government is clearly unable to meet this requirement under current circumstances. However, there is a precedent in the Zelaya government's favor; the IMF entered into a financial relationship with Haiti's deposed Aristide government in 1992. Garza said that, if the Zelaya government wins the membership vote, the IMF will have to undertake a legal review to determine whether it can access the funds.

16. (C) Also in question is the issue of who is entitled to send representatives to the IMF/World Bank fall meetings, scheduled for October 6-7. In this case, Garza said, control of territory is not an issue; the Zelaya government will be entitled to send representatives if it prevails in the membership vote.

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17. (C) If not enough members vote by September 18 to achieve a quorum, the announcement of the result will be postponed. Garza said that, in his opinion, there is unlikely to be a quorum by that time "unless one member pushes the issue." He said that any member state has the right to call a meeting to force a vote, but members retain the right not to vote at the meeting, so there could still be a failure to achieve a quorum.

18. (C) Garza said that the Zelaya government's finance minister, Rebeca Santos, and the government's central bank president, Edwin Araque, were briefed about the upcoming recognition vote during a recent meeting at the IMF. They initially met with the IMF executive director from Spain, who serves as regional representative for Honduras. At the executive director's suggestion, IMF staff members, including members of the legal department, joined the meeting to explain the recognition process. Garza said that he himself, acting on instruction from IMF headquarters, had informed representatives of the de facto regime of the upcoming vote by telephone on September 6.

19. (C) Comment and action request: If a quorum in the membership vote can be achieved, the Zelaya government is highly likely to prevail, given existing support by the U.S., the OAS, and others. Since this will be the first time that the international community as a whole weighs in on the issue of recognition, a quick and decisive endorsement of the Zelaya government would have symbolic importance beyond the specific IMF issues at stake. A delay in obtaining a quorum would, by contrast, be seen as a victory by the de facto regime, particularly if it prevented Zelaya government representatives from attending the IMF/World Bank meetings. Embassy requests that the Department instruct embassies in IMF member countries to demarche host countries urging them to vote in favor of recognition of the Zelaya government in time for the voting deadline.

LLORENS